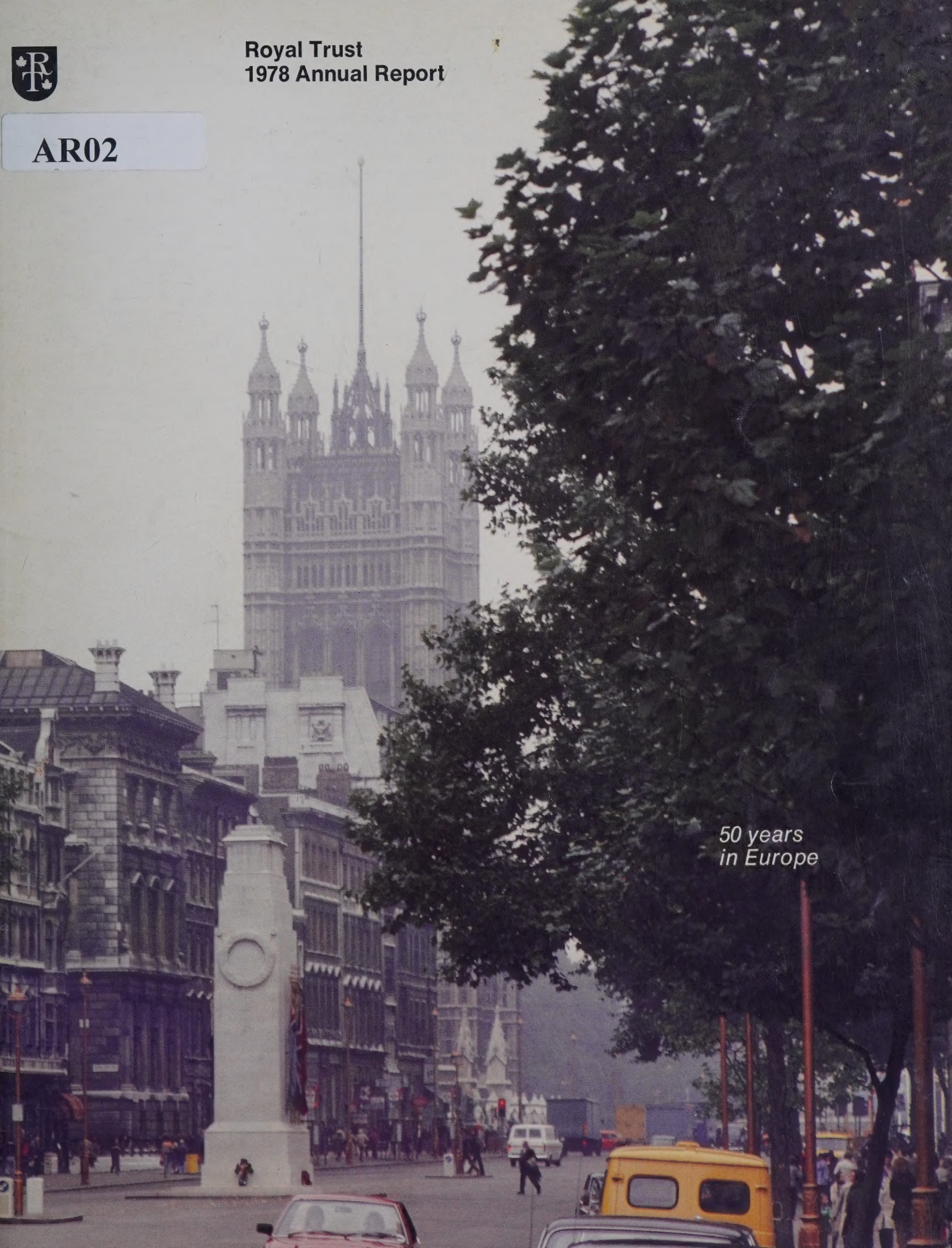




Royal Trust
1978 Annual Report

AR02

*50 years
in Europe*



Board of Directors

Royal Trustco Limited Royal Trust Corporation of Canada The Royal Trust Company

*Kenneth A. White
*Chairman of the Board
President and Chief Executive Officer*

John D. Allan
*President
The Steel Co. of Canada, Ltd.*

R. James Balfour
*Partner – Balfour, Milliken, Moss,
Laschuk, Kyle, Vancise & Cameron
(Barristers and Solicitors)*

Robert G. Bentall
*President
Dominion Construction Co. Ltd.*

G. Drummond Birks
*President and Chief Executive Officer
Henry Birks & Sons Ltd.*

**Donald N. Byers
*Senior Partner – Byers, Casgrain,
McNally, Dingle, Benn & Lefebvre
(Barristers and Solicitors)*

James M. Cameron
*Executive Vice-President
TransCanada PipeLines Ltd.*

**Alistair M. Campbell
*Chairman of the Executive Committee
Sun Life Assurance Co. of Canada*

+ Keith Campbell
Vice-President, Canadian Pacific Ltd.

Charles J. Clark
*Senior Partner – McTague, Clark
(Barristers and Solicitors)*

Henry Collingwood
Chairman, Baine, Johnston & Co. Ltd.

James B. Cross
President, Territorial Hotels Ltd.

**Fraser M. Fell
*Partner – Fasken & Calvin
(Barristers and Solicitors)*

**Eric L. Hamilton
*Retired Chairman, Canadian
Industries Ltd.*

*Conrad F. Harrington
*Chairman of the Executive Committee
The Royal Trust Company*

Harold Husband
*President
Victoria Machinery Depot Co. Ltd.*

Frederick W.P. Jones
Financial Consultant

Egerton W. King
President, Canadian Utilities Limited

Angus A. MacNaughton
*Vice-Chairman and Chief Executive
Officer, Genstar Ltd.*

John F. McDougall
President, McDougall & Secord, Ltd.

**The Hon. Maurice Riel, Senator
*Counsel and Partner – Stikeman,
Elliott, Tamaki, Mercier & Robb
(Barristers and Solicitors)*

David G. Waldon
*Retired Chairman and Chief
Executive Officer, Interprovincial
Pipe Line Ltd.*

Allan Waters
President, CHUM Ltd.

*Marshall M. Williams
President, Calgary Power Ltd.

Honorary Directors

Thomas W. Eadie
Charles P. Fell
Percy M. Fox
G. Blair Gordon
The Hon. George C. Marler
Jean Martineau
John W. McKee
John L. O'Brien
Arthur C. Price

*Member of the Executive
Committees

+ Member of the Audit Committees

Officers

Royal Trustco Limited

**Chairman, President and
Chief Executive Officer**

Kenneth A. White

**Senior Executive Vice-President
and Chief Operating Officer**

John M. Scholes

Executive Vice-Presidents

Richard T. La Prairie
Finance and Chief Financial Officer

Ewart A. Wickens
Money and Banking, and Treasurer

Group Vice-President

F. Sandy Milligan
Organization and Personnel Planning

Vice-Presidents

Edward P. Cannon
Financial Planning and Control

Lauchlin A. Chisholm
Public Relations

C. Terrill Manning
Secretary

Harry E. Trenholme
International Division

Assistant Vice-Presidents

James A.C. Ferenbach
Comptroller

H. Richard Gourlay
Audit

W. Brian Hayman
Personnel Planning

David Lebbell
Corporate Tax Services

The officers of Royal Trust
Corporation of Canada and The Royal
Trust Company are listed on page 24.

**79th Annual Report
of Royal Trust
for the year ended
December 31, 1978**
(Consolidated Operations
of Royal Trustco Limited)



**Annual Meeting,
Montreal, Thursday, March 8, 1979,
11:00 a.m.,
Le Château Champlain Hotel**

Highlights

(Dollars in thousands,
except per share amount)

	1978	1977
Gross income	\$ 702,199	\$ 595,482
Net operating income	\$ 26,339	\$ 18,514
Net operating income per share	\$ 1.65	\$ 1.16
Net income	\$ 28,842	\$ 17,854
Net income per share	\$ 1.81	\$ 1.12
Assets	\$ 5,837,266	\$ 4,866,981
Estimated market value of Estates, Trusts and Agency Accounts under administration	\$16,909,000	\$14,354,000
Total assets under administration	\$22,746,266	\$19,220,981
Total number of offices	263	247
Total number of employees	8,516	8,033

Contents

	Board of Directors, and Officers
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	Consolidated Financial Statements
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Royal Trustco Limited

Registered Office:
76 Metcalfe Street
Ottawa, Ontario K1P 5L8
Canada

Executive Office:
Toronto-Dominion Bank Tower
Toronto-Dominion Centre
Toronto, Ontario M5W 1P9

Transfer Agent & Registrar:
Royal Trust Corporation of Canada
The Royal Trust Company

Shares listed on the following Stock
Exchanges:
– Montreal Stock Exchange
– The Toronto Stock Exchange
– The Alberta Stock Exchange
– Vancouver Stock Exchange

Le secrétaire fera volontiers parvenir un exemplaire
du rapport annuel en français, sur demande.

Report to Shareholders



*Kenneth A. White
Chairman, President
and
Chief Executive Officer*



*John M. Scholes
Senior Executive
Vice-President
and
Chief Operating Officer*

For your company 1978 was a momentous year in terms of corporate reorganization and planning for the future.

As shareholders, you accepted overwhelmingly the decision of your Directors and Management to exchange shares of The Royal Trust Company for those of Royal Trustco Limited. By so doing, Royal Trustco Limited became the parent of the Royal Trust group of companies and its operations in Canada, the United States, Europe and the Middle East.

The establishment of Royal Trustco Limited to direct our consolidated operations was a pivotal event in the development of your company. Royal Trustco Limited is a federally chartered corporation, under the Canada Business Corporations Act, with investment powers considerably broader than those available to a trust company operating under either a provincial or federal charter. Your management and Board of Directors are convinced that the future expansion and prosperity of the group of companies will be enhanced under the new parent.

In commencing this new era, the character and direction of the company have not changed. We are still "Royal Trust", the leading trust company in Canada, the inheritor of an enviable reputation acquired during the past 79 years.

The services we offer to individual and corporate clients are listed on page 28.

We are pleased to report on the excellent performance in 1978 of the consolidated company operations. Net income increased from \$1.12 per share to \$1.81 per share, indicating a return to a growth pattern consistent with our long term objective. Earnings per share reflect the additional shares outstanding as the result of the exchange of three shares of The Royal Trust Company for four shares of Royal Trustco Limited. The balance sheet reached almost \$6 billion, a growth of \$1 billion in 1978. Gross income at year end had reached \$702 million. Assets under administration increased to about \$23 billion.

The details of our balance sheet and operating results are covered in the Financial

Review section starting on page 9.

While your company remains predominantly Canadian (see table, Shareholders and Shareholdings, page 10), it is broadening its business base internationally, in the United States and abroad.

In the European region, our growth is visibly apparent by our imminent shift to new and larger premises in London and Dublin. We now have a presence in Saudi Arabia by providing computer services under contract to the Ministry of Planning through our subsidiary, Computel Systems Ltd., Ottawa.

In Florida, savings, demand and other deposits increased by \$68 million to \$300 million at our 17 banking locations. The latest acquisition in 1978 was the American Bank of Orange County, now Royal Trust Bank of Orlando. We now have banks in the seven major counties, which represent 70 per cent of the state's population.

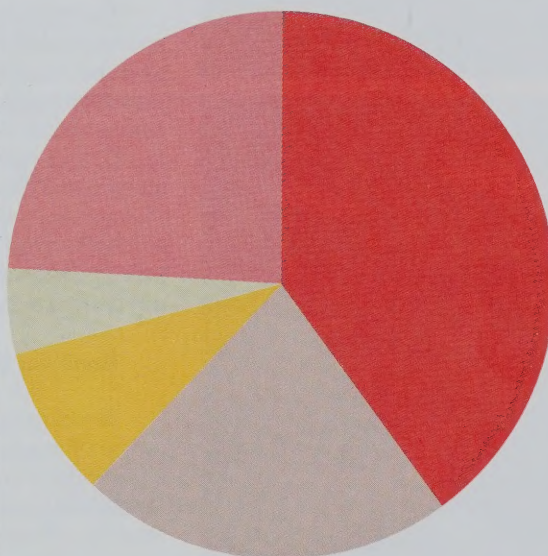
50 Years in Europe

The Golden Jubilee celebration during 1979 of our London company is a mark of our well established presence overseas. Assets under administration in Britain are about £300 million. On your behalf, it is a proper occa-

sion to formally acknowledge the fine performance of the 220 staff, officers and Directors of the companies in our European Region that form an integral and important part of the Royal Trust group.

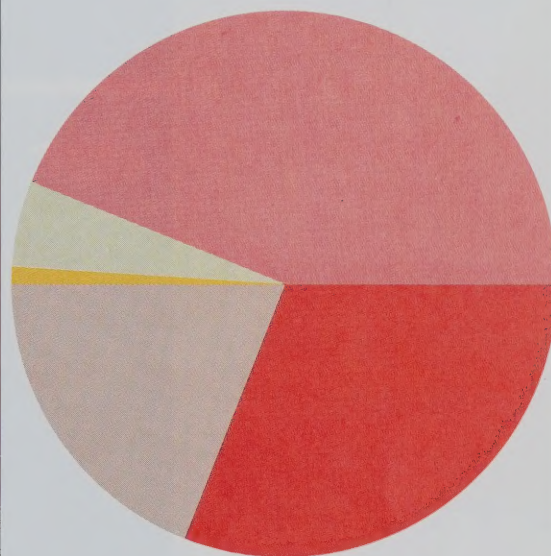
Our London company is planning an expansion of services. During the year, a subsidiary was formed in London to engage in insurance broking. The London and Dublin companies have entered into the field of commercial lending in addition to mortgage lending. The Jersey (Channel Islands) company continues to manage valuable international trust business, including that of many Canadians working and living abroad.

These comparative charts illustrate the broadening of our business base both nationally and internationally over the past decade.



Geographical Distribution of Income 1978

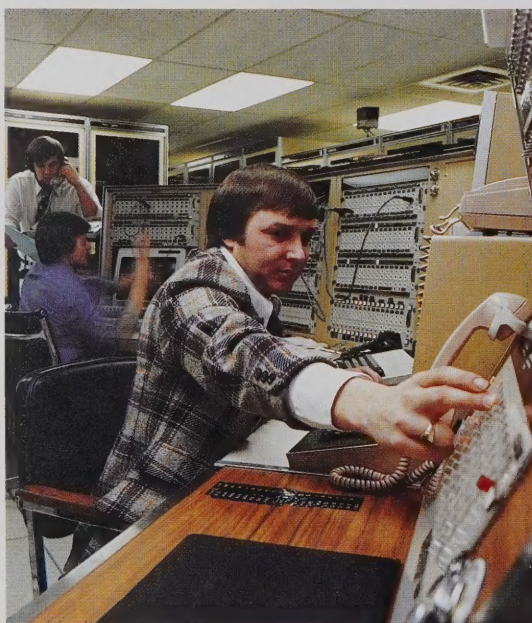
Atlantic	5%
Quebec	24%
Ontario	40%
Western Canada	22%
Foreign	9%



Geographical Distribution of Income 1968

Atlantic	5%
Quebec	44%
Ontario	31%
Western Canada	19%
Foreign	1%

The London company moves in 1979 to new premises in the City of London in the shadow of St. Paul's Cathedral.



Computel Systems Ltd., the computer subsidiary, serves clients across Canada from this network control centre at Ottawa.



At Douglas, Isle of Man, the five-member staff of the Royal Trust subsidiary will join in 1979 in celebrating the millenium of The Tynwald, the island's Parliament.

Expansion in Canada

Our money service operations in Canada opened seven new offices: St. Bruno, Quebec; Calgary, Edmonton, Winnipeg, Hamilton and two in Toronto. Five new real estate offices were opened, bringing the total to 157. Our personal loan service to clients was started last October at London, Ontario. The service will be made available during 1979 to clients of all our 107 money service offices across Canada where more than 350,000 depositors now are served.

Bank Act Revisions

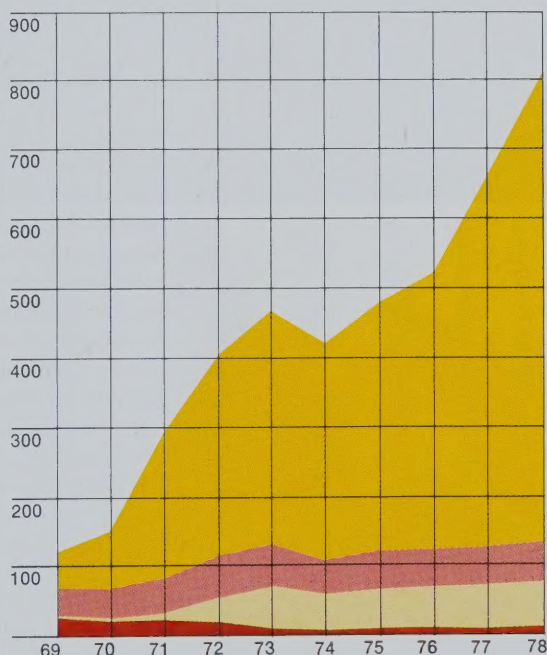
In mortgage lending, a vitally important phase of our business, the continued heavy competition from a greater number of financial institutions presented challenges to our lending officers. However, we achieved aggregate mortgage disbursements of \$1.4 billion, a most gratifying result in a difficult market and a new high figure in the life of Royal Trust. The competition among mortgage lenders is expected to grow mainly because of much greater involvement by the chartered banks.

In this regard, we feel that the stability of what has been a balanced, stable mortgage market in Canada may be threatened by a number of proposed revisions to the Bank Act. In our view, this could prove detrimental to thousands of present and prospective home owners. The stated objective of the Government of Canada in proposing the revisions was to increase competition in the banking system. However, the ultimate result of the legislation

may be the opposite to that objective and the share of the mortgage market now held by the trust and loan industry could virtually disappear.

A number of the proposals, if enacted, would seriously weaken the structure of the trust industry and inevitably allow the banks to grow in areas where trust companies have served Canadians well for more than a century. We think Canadians appreciate the services offered by our industry and they will want trust companies to continue to serve them.

We stated our views to legislators across Canada in a special brief, in which we were joined by two other trust companies. We appeared before the interested committees of the House of Commons and the Senate. On both occasions, we expressed our firm support for the stable, profitable and efficient banking system in Canada. We strongly urged, however, that the proposed Bank Act legislation should ensure the continuance of the competitive position between banks and the trust industry.



Managed Investment Funds
(Market Value) (Millions of Dollars)

Royal Trust offers to the public participation in four investment funds:

- A – for American securities
- B – for bonds
- C – for Canadian securities and
- M – for mortgages.

Currently, there are some 113,000 participants in these funds, many of whom are on a monthly subscription plan.

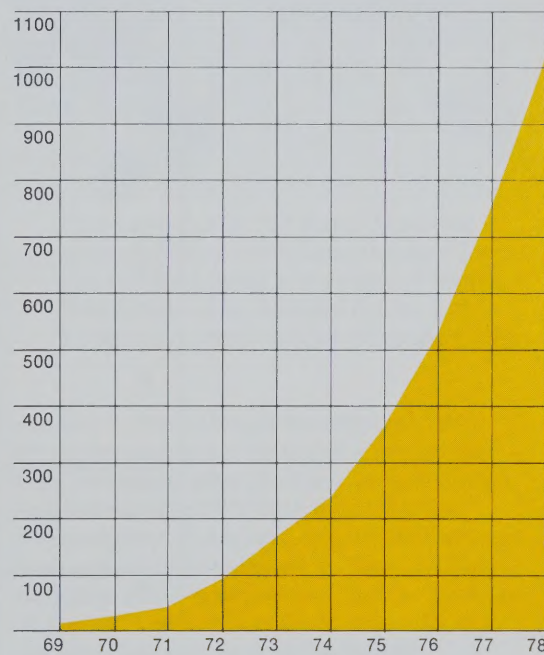
- A Fund
- B Fund
- C Fund
- M Fund

Directors

James B. Cross, President, Territorial Hotels Limited, Calgary, will not be standing for re-election as a director as he has reached the mandatory retirement age. We are indeed indebted to Mr. Cross for his valuable contribution over the past 18 years. We are pleased that his wise counsel will continue to be available to us as an Honorary Director.

During 1978, the Board appointed as a Director, Egerton W. King, President, Canadian Utilities Limited, Edmonton, and a member of our Edmonton Advisory Board. The Board accepted with regret the resignations of Messrs. Walter F. Light, President, Northern Telecom Limited and Camille A. Dagenais, President, SNC Enterprises Ltd., from the Board.

Marshall M. Williams, a Director, and President of Calgary Power Ltd., was appointed to the Executive Committee of the Board during the year. Eric L. Hamilton, a Director since 1970, was elected a Director of Royal



Tax Benefit Plans
(Millions of Dollars)

Royal Trust offers several distinct Registered Retirement Savings and Registered Home Ownership Plans to Canadian taxpayers. Total participants in these tax sheltered savings plans now number some 194,725.

Trust Bank Corp., Florida and Alistair M. Campbell, a Director, was appointed a member of our Ottawa Advisory Board.

In Canada, there were a number of changes in the Advisory Boards of Royal Trust Corporation of Canada. We were saddened by the deaths of Messrs. James M. Crosby and Dudley E. Batchelor, members of the New Brunswick and Calgary Advisory Boards respectively. In addition, Messrs. Arthur L. Davies and William S. Kirkpatrick (a former director of the company) retired from the Advisory Boards in Kingston and Vancouver respectively.

The following new Advisory Board members have been appointed: William W. Marshall and Frederick W. Russell, St. John's, Newfoundland; John R. Willett and Keith M. Wilson, Saint John, New Brunswick; Harold T.

Fargey, Toronto; Michael L. Davies, Kingston; Jack M. Byers and Robert H. McKercher, Saskatoon; Mark H. Gunther, Vancouver.

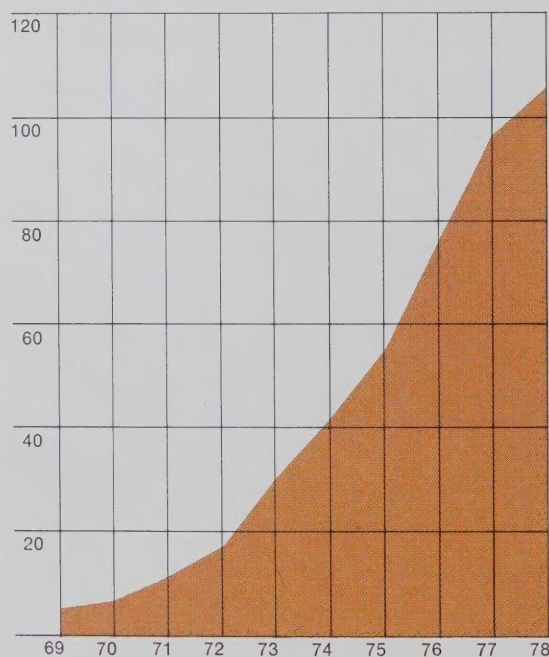
In Florida, Messrs. H.G. Brown, J. Warren Hughes and E.J. Winstead resigned from the St. Petersburg Bank Board, Jim M. Walter from the Tampa Board and W. Findlay from the Palm Beach Board. Edmund J. Gong was appointed a Director of the South Dade Bank Board and in Palm Beach, Guilford Dudley Jr. was elected a Director of that Board. We were pleased also to welcome to our group the members of the Board of the American Bank of Orange County, now the Royal Trust Bank of Orlando, whose names are listed on page 25.

In Great Britain, we regret the death of Arthur A. Montgomery, O.B.E., the first Chairman and Managing Director of The Royal Trust Company of Canada. We also note with regret the death of Professor Robert D. Teare, a member of the Board of Directors of the Isle of Man Company, who had recently joined that Board. Jean B. Solandt, head of the Banking Division of J. Henry Schroder Wagg & Company Limited, has joined the Board, replacing David Forsyth.

Officers

Kenneth A. White was elected Chairman of the Board following the 1978 Royal Trust Annual Meeting, replacing Conrad F. Harrington who retired from that post. Mr. White continues as President and Chief Executive Officer. Mr. Harrington continues as the Chairman of the Executive Committee of The Royal Trust Company.

Following earlier announcements concerning corporate reorganization, appropriate appointments of officers for The Royal Trust Company, Royal Trust Corporation of Canada and Royal Trustco Limited were made effective



Real Estate Sales Commission Income Ten Year Analysis

(Millions of Dollars)

In 1978, Royal Trust arranged the sale of 38,500 homes across Canada for a total value of \$2 billion.

In Florida, nine of the 17 Royal Trust banks and branches serve the public seven days a week. At Boca Raton, this drive-in bank is a branch of the Royal Trust Bank of Palm Beach.



The family home: 157 Royal Trust real estate offices across Canada assist Canadians in the buying and selling of homes. Real Estate sales account for more than 15 per cent of the company's total income.



In Ireland, the company will move to new quarters in Dublin late in 1979.

January 1, 1978. Lists of the officers of the three companies will be found on the inside front cover and page 24 of this Annual Report. Appointments in 1978 included: Ewart A. Wickens, Alan Purdy and John H. Matthews, as Executive Vice-Presidents; F. Sandy Milligan as Group Vice-President and John A. Burleton, Roland B. Breton, Lauchlin A. Chisholm and August Hagedorn as Vice-Presidents. C. Terrill Manning, Vice-President, was appointed Secretary on the retirement of A.V. Lennox Mills.

Tradition Maintained

The historic and useful role of our trust operations continues as the company enters new fields.

This is particularly true in Quebec, where the company was started in 1899. A measure of the vitality of our Quebec operations is the fact that we have twice as many employees there now as we had in 1970. During the past year, we announced a nine-storey Royal Trust tower in Hull, which is scheduled to be opened



By the end of 1979, a personal loan program will be offered to clients of the company's moneyservice offices across Canada. The program was introduced at the London, Ontario, branch in October 1978.

by the end of 1979. We have 23 money service offices in Quebec and 46 real estate offices, compared to ten at the beginning of the decade.

Trust operations in Quebec will continue to be managed directly by The Royal Trust Company, while trust operations in the rest of Canada will be managed by Royal Trust Corporation of Canada.

A company, such as ours, dependent on the trust of the public, requires, and does have, a highly conscientious and competent staff.

It would be inappropriate to close this report without acknowledging the contribution of the total staff of 8,516 in Canada, the United States, and overseas in furthering the services and good name of Royal Trust during 1978.

Kenneth A. White
Chairman, President and
Chief Executive Officer

January 30, 1979



From Royal Trust House in St. Helier, Jersey, Channel Islands, the company serves international clients, including many Canadians working abroad.

Financial Review

General

Net operating income for 1978 represents an increase of 42% over that of 1977. Per share earnings of \$1.65 compares to \$1.16 in 1977. We draw your attention to the "Comparative Quarterly Analysis" at the bottom of this page. You will note that the results for the third and fourth quarters of 1978 are indicative of current operating trends.

Our 1978 performance reflects a return to our traditional long term earnings growth which was Management's stated objective for the year. Total income increased \$107 million, or 18% while expenses increased by \$93 million or 16%.

Assets of \$5.8 billion shown on the balance sheet represent growth of close to \$1 billion or 20%. This growth is additional to the Estates, Trusts and Agency assets under administration which increased by \$2.6 billion or 18% to a total of \$16.9 billion.

Fees and Commissions

Significant increases in all categories of fees and commissions were recorded in 1978 most notably for stock transfer, pension trust and managed investment funds fees. The increases reflect a combination of greater volume and rate changes introduced in 1978.

Real estate sales were satisfactory in 1978. Sales commissions – net of compensation to salesmen and real estate brokers – increased by 10%.

A major contributor to our total revenue from computer services was a new three-year contract with the Ministry of Planning of the Kingdom of Saudi Arabia. This contract offset a reduction in revenues as a consequence of the sale in mid-1977 of Computel's subsidiary in California. The overall \$2 million improve-

ment came from new customers and greater levels of activity in existing accounts.

Investment Income

Investment income, net of interest paid, rose by 27% to \$100 million composed of \$76 million from Canadian sources, \$16.7 million from the banks in the U.S. and \$7.3 million from the overseas companies.

Our Canadian money operations showed growth in deposits and borrowings of \$780 million, due principally to branch expansion, marketing promotions and competitive rates. Although frequent changes in interest rates were initiated by the Bank of Canada, we were able to achieve satisfactory interest spreads during the year.

In the United States, deposits and borrowings increased by \$68 million. Improved interest spreads in money market transactions and increased loan activity contributed to a 59% increase in net investment income. Also a positive factor was the favourable conversion rates prevailing for the U.S. dollar throughout the year.

Overseas, deposits and borrowings increased by \$101 million during the year which together with favourable interest spreads and a positive currency exchange rate resulted in a significant income improvement.

Expenses

Salaries, which increased by 16%, was the major item in this category. Compensation rates accounted for the largest portion of the increase. Other contributors to the increase included branch expansion in Canada and the United States.

Pension and other staff benefits increased by 22%.

Other operating expenses, excluding

**Comparative
Quarterly Analysis
1978-1977**
(Dollars in Thousands)

Fees and Commissions		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Estates, Trusts and Agencies	1978	\$ 13,604	\$ 14,187	\$ 14,059	\$ 16,223	\$ 58,073
	1977	11,382	12,379	11,433	13,299	48,493
	Increase	20%	15%	23%	22%	20%
Real Estate net of commissions paid	1978	\$ 5,374	\$ 9,819	\$ 11,953	\$ 8,606	\$ 35,752
	1977	4,827	8,866	10,720	8,012	32,425
	Increase	11%	11%	12%	7%	10%
Computer Services	1978	\$ 3,478	\$ 3,572	\$ 4,795	\$ 4,954	\$ 16,799
	1977	4,316	4,695	3,046	2,730	14,787
	Increase (Decrease)	(19%)	(24%)	57%	81%	14%
Investment Income less Interest paid	1978	\$ 22,688	\$ 24,081	\$ 25,834	\$ 27,389	\$ 99,992
	1977	16,140	18,812	20,468	23,454	78,874
	Increase	41%	28%	26%	17%	27%
Total Income	1978	\$ 45,144	\$ 51,659	\$ 56,641	\$ 57,172	\$210,616
	1977	36,665	44,752	45,667	47,495	174,579
	Increase	23%	15%	24%	20%	21%
Operating Expenses	1978	\$ 36,948	\$ 38,691	\$ 41,813	\$ 44,815	\$162,267
	1977	33,721	35,700	34,399	36,593	140,413
	Increase	10%	8%	22%	22%	16%
Operating Income after taxes and minority interest	1978	\$ 4,486	\$ 6,923	\$ 7,926	\$ 7,004	\$ 26,339
	1977	1,444	4,807	6,133	6,130	18,514
	Increase	211%	44%	29%	14%	42%

interest and Real Estate commissions paid, increased by 14%, compatible with the growth in income. More detailed information is provided in the Consolidated Statement of Income.

Taxes and Minority Interest

There was no appreciable change in effective income tax rates between 1978 and 1977. The reduction in profits accruing to minority shareholders is a result of the sale in 1978 of the company's 79% interest in Douglas Leaseholds.

Dividends

All dividends in 1978 were paid by the predecessor parent, The Royal Trust Company, prior to the exchange of shares in December for those of Royal Trustco. The Royal Trust Company commenced the year with a quarterly dividend of 24 cents per share, the same quarterly rate which had prevailed throughout 1977. This rate was increased to 27½ cents for both the second and third quarters. Following removal of restrictions imposed by the Anti-Inflation Act (Canada) in October 1978, the rate was increased to 30 cents for the fourth quarter making a total pay-out for the year of \$1.09. When adjusted for the share exchange, this is

equivalent to 81¼ cents per share of Royal Trustco. The initial quarterly dividend for Royal Trustco to be paid in the first quarter of 1979, has been established at 23 cents per share.

Other Additions (Deductions)

The increase in net losses on investments by \$2.4 million is almost entirely accounted for by sales of securities resulting in losses aggregating \$300,000. The purpose of these sales was to take advantage of higher yields. For 1977 net gains on the sales of securities amounted to \$2.4 million. The provision for loan losses was approximately identical for each year.

The foreign exchange adjustment of \$3.8 million reflects the increased value of the company's investment in its subsidiaries in the United States and overseas as a result of more favourable rates of exchange for both the

Shareholders' Statistics

	1969	1970
Number of shareholders	4,795	5,107
Average shares outstanding	11,019,000	11,357,000
Number of shares traded	1,123,000	1,264,000
Price range — high	\$ 10⅞	\$ 11¼
— low	\$ 8	\$ 8¾
— close	\$ 10⅞	\$ 10⅝
Net operating income per share	\$ 0.58	\$ 0.60
Dividends per share	\$ 0.32	\$ 0.36
Price earnings ratio — high	19	19
— low	14	14

Geographical Breakdown of Shareholders and Shareholdings

	No. of Shareholders	No. of Shares	Percentage of Ownership
Alberta	380	457,145	2.86
British Columbia	877	836,087	5.23
Manitoba	158	313,954	1.96
New Brunswick	277	256,544	1.61
Newfoundland	87	50,546	0.32
Nova Scotia	294	311,186	1.95
Ontario	3,794	8,050,124	50.38
Prince Edward Island	62	43,774	0.27
Quebec	2,189	5,348,112	33.47
Saskatchewan	70	93,760	0.59
Yukon and Northwest Territories	4	1,759	0.01
Total Canadian	8,192	15,762,991	98.65
United States	144	64,943	0.41
United Kingdom	120	114,981	0.72
Other Countries	62	34,585	0.22
Total Non-Resident	326	214,509	1.35
Total	8,518	15,977,500	100.00

U.S. dollar and the British pound relative to the Canadian dollar at the year-end.

Balance Sheet

The Statement of Changes in Financial Position illustrates the source of our balance sheet growth. The increase in deposits and borrowings includes \$780 million from our Canadian money operations, \$68 million from our Florida banking operations and \$101 million overseas.

In 1978 the Company disbursed \$1.4 billion for new mortgages resulting in a year-end balance sheet mortgage investment holding slightly in excess of \$4 billion. This is in addition to some \$2.3 billion held on an agency basis for various clients.

The Company has continued to maintain a strong liquid position with 27% of investments held in cash, short term bank deposits, demand loans and marketable securities. Summaries of balance sheet liquidity are illustrated by schedules of maturities on page 13 of this report. Additional details of "Securities" are also provided on page 13.

Full provision has been made in the accounts for all estimated losses arising from mortgages in default. It should be noted that total mortgages currently in arrears are less than a year earlier, although there has been a major increase in total loans outstanding.

The decrease in the categories of "Investment Properties", "Mortgages Payable" and "Minority Interest" is a consequence of the sale of the Company's investment in Douglas Leaseholds Limited.

It is gratifying to note that on the basis of net income the Company's return on average shareholders' equity employed in 1978 was 17.4%.

	1971	1972	1973	1974	1975	1976	1977	1978
	5,009	5,608	6,485	6,521	6,446	7,161	7,799	8,518
	12,571,000	12,957,000	13,587,000	13,772,000	13,820,000	14,661,000	15,911,000	15,937,000
	1,349,000	1,205,000	1,031,000	1,256,000	1,420,000	1,552,000	1,988,000	2,695,000
\$	15	\$ 19½	\$ 21½	\$ 21¼	\$ 19¾	\$ 18½	\$ 14	\$ 15
\$	10½	\$ 13½	\$ 16¾	\$ 12¾	\$ 14	\$ 11½	\$ 10¾	\$ 11¾
\$	13½	\$ 19	\$ 19½	\$ 15½	\$ 14¾	\$ 13½	\$ 12¾	\$ 13½
\$	0.80	\$ 0.96	\$ 1.05	\$ 1.01	\$ 1.37	\$ 1.34	\$ 1.16	\$ 1.65
\$	0.38	\$ 0.45	\$ 0.60	\$ 0.68	\$ 0.68	\$ 0.69	\$ 0.72	\$ 0.82
	19	20	21	21	14	14	12	9
	13	14	16	13	10	9	9	7

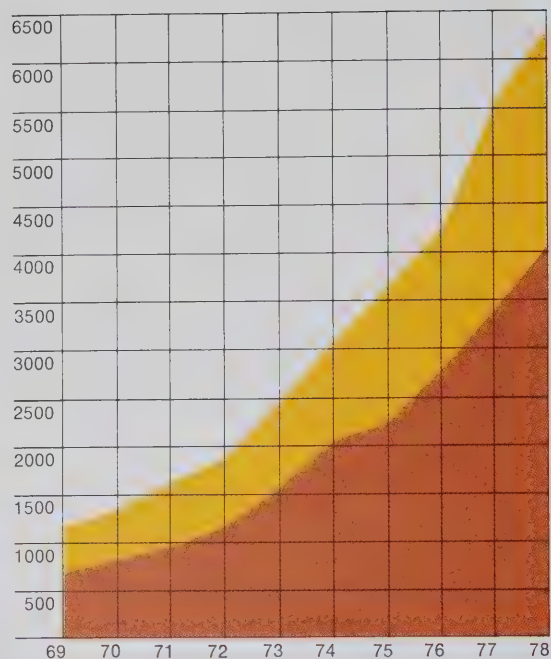
Note

(i) Adjusted for stock split in 1973 and share exchange in 1978.

(ii) "V-Day" valuation prices for Canadian capital gains tax purposes:

Original price established by	
Department of National Revenue	
December 22, 1971	\$37.50
After March 14, 1973 stock split	18.75
✓ After December 1, 1978 share exchange	14.06

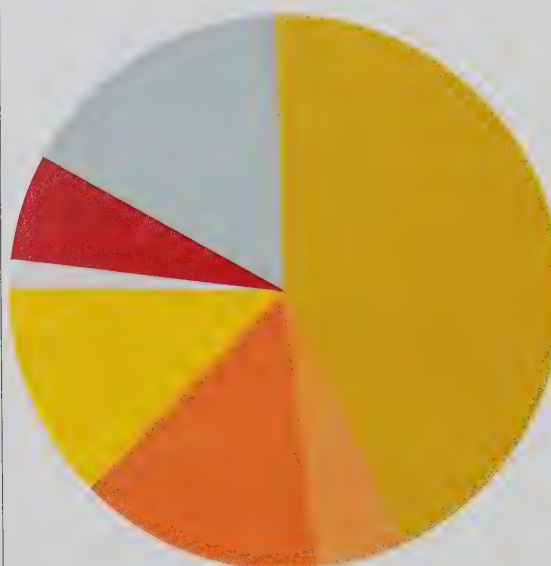
Mortgages under Administration as at December 31, 1978



Ten Year Growth (Millions of Dollars)

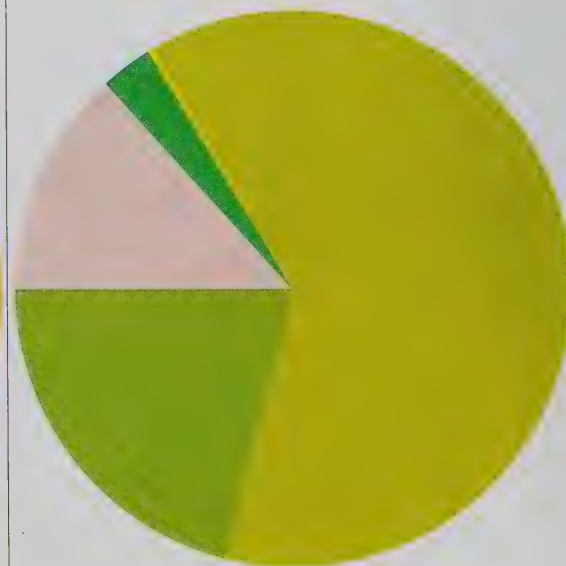
- Own and Guaranteed Account
- Pension and Other Trust Clients

In 1978, the Company disbursements for mortgages amounted to \$1.4 billion of which 87% was directed to residential accommodations. Included in the \$6.3 billion of mortgages under administration are some 147,000 individual properties.



Geographical Distribution

- Maritimes – 6.1%
- Quebec – 16.6%
- Ontario – 43.2%
- Manitoba and Saskatchewan – 5.5%
- Alberta – 13.9%
- B.C. – 12.9%
- Elsewhere – 1.8%



Type of Collateral

- House Loans – 62.7%
- Other Residential – 21.0%
- Commercial – 13.3%
- Industrial – 2.8%
- Others – 0.2%

Maturities of Investments (Dollars in thousands)	Cash, Bank Deposit Receipts and Treasury Bills	Secured Loans, and Advances to Clients	Securities	Re- ceivables under Equipment Leases	Mortgages	Total	
December 31, 1978							
Due within 1 year	\$ 766,193	\$ 163,770	\$ 210,043	\$ 6,732	\$ 665,969	\$1,812,707	31.7%
1 to 5 years	1,212	57,046	197,508	31,251	3,108,799	3,395,816	59.4
6 to 10 years		3,461	32,543	53,569	179,759	269,332	4.7
11 to 15 years			6,803	43,608	26,679	77,090	1.4
16 to 20 years			6,346	1,588	22,582	30,516	0.5
Beyond 20 years			7,425		18,534	25,959	0.4
Preferred and Common Shares			108,440			108,440	1.9
	\$ 767,405	\$ 224,277	\$ 569,108	\$ 136,748	\$4,022,322	\$5,719,860	100.0%
December 31, 1977							
Due within 1 year	\$ 680,600	\$ 120,552	\$ 231,848	\$ 5,454	\$ 573,095	\$1,611,549	33.9%
1 to 5 years		23,089	115,680	28,322	2,536,627	2,703,718	56.9
6 to 10 years		2,189	2,645	48,835	231,458	285,127	6.0
11 to 15 years			9,413	52,056	7,211	68,680	1.4
16 to 20 years			5,485	4,926	13,345	23,756	0.5
Beyond 20 years			4,104		18,149	22,253	0.5
Preferred and Common Shares			39,488			39,488	0.8
	\$ 680,600	\$ 145,830	\$ 408,663	\$ 139,593	\$3,379,885	\$4,754,571	100.0%

Maturities of Deposits and Borrowings (Dollars in thousands)	Deposit Certificates	Savings and Chequing Accounts	Short Term Notes	Debentures	Total	
December 31, 1978						
On demand and due within 1 year	\$1,502,523	\$ 862,445	\$ 119,390	\$ 25,022	\$2,509,380	45.2%
1 to 5 years	2,678,726		46,111	158,873	2,883,710	51.9
6 to 10 years	26,977			48,932	75,909	1.4
11 to 15 years	49,174			31,784	80,958	1.4
16 to 20 years				7,188	7,188	0.1
21 to 25 years						
	\$4,257,400	\$ 862,445	\$ 165,501	\$ 271,799	\$5,557,145	100.0%
December 31, 1977						
On demand and due within 1 year	\$1,425,113	\$ 703,063	\$ 78,448	\$ 12,441	\$2,219,065	48.1%
1 to 5 years	2,055,308		41,521	136,693	2,233,522	48.5
6 to 10 years	15,730			63,383	79,113	1.7
11 to 15 years	29,430			43,849	73,279	1.6
16 to 20 years				3,717	3,717	0.1
21 to 25 years	793				793	
	\$3,526,374	\$ 703,063	\$ 119,969	\$ 260,083	\$4,609,489	100.0%

Securities (Dollars in thousands)	1978		1977	
	Cost	Market	Cost	Market
Bonds of, or guaranteed by, governments of Canada, U.S.A. and U.K.	\$ 117,945	\$ 113,283	\$ 107,321	\$ 106,793
Bonds of, or guaranteed by, other governments	166,133	165,016	120,689	120,645
Obligations of corporations	176,590	178,285	141,165	143,868
Preferred shares	63,058	63,599	20,288	20,964
Common shares	45,382	49,593	19,200	18,842
	\$ 569,108	\$ 569,776	\$ 408,663	\$ 411,112

**Consolidated
Balance Sheet**

Assets as at December 31	1978	1977
Investments (including assets held in trust for Guaranteed Account – Note 4)		
Cash, bank deposit receipts and treasury bills	\$ 767,405,000	\$ 680,600,000
Secured loans, and advances to clients	224,277,000	145,830,000
Securities – at cost (Market 1978, \$569,776,000 1977, \$411,112,000)	569,108,000	408,663,000
Receivables under equipment leases, net of unearned income (Note 5)	136,748,000	139,593,000
Mortgages	4,022,322,000	3,379,885,000
	\$5,719,860,000	\$4,754,571,000
Other Assets		
Accounts receivable	\$ 28,432,000	\$ 18,354,000
Properties at cost less accumulated depreciation and amortization		
Premises, equipment and leasehold improvements	53,231,000	49,043,000
Investment properties		12,119,000
Unamortized debenture and note discount and underwriting commissions	1,488,000	2,087,000
Investment in affiliates	9,420,000	6,947,000
Excess of cost of investment in subsidiaries over acquired equity in net assets	24,835,000	23,860,000
	\$ 117,406,000	\$ 112,410,000
	\$5,837,266,000	\$4,866,981,000

Approved by the Board
Kenneth A. White
Conrad F. Harrington
Directors

Liabilities and Shareholders' Equity
as at December 31

1978

1977

Deposits and Borrowings

(including deposits accepted for Guaranteed Account – Trust
Funds for investment – Note 4)

Deposit certificates	\$4,257,400,000	\$3,526,374,000
Savings and chequing accounts	862,445,000	703,063,000
Short term notes	165,501,000	119,969,000
Debentures (Note 5)	271,799,000	260,083,000
	\$5,557,145,000	\$4,609,489,000

Other Liabilities

Income taxes payable (recoverable)	\$ 2,691,000	\$ (149,000)
Miscellaneous liabilities	24,733,000	20,799,000
Mortgages payable (Note 6)	17,796,000	23,655,000
	\$ 45,220,000	\$ 44,305,000

Deferred Income Taxes

\$ 56,042,000	\$ 48,453,000
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Minority Interest in Subsidiary Companies

Preferred shares	\$ 5,000,000	\$ 5,000,000
Common shares and equity	595,000	1,776,000
	\$ 5,595,000	\$ 6,776,000

Shareholders' Equity

Capital stock (Note 8)	\$ 90,532,000	\$ 89,717,000
Retained earnings	82,732,000	68,241,000
	\$ 173,264,000	\$ 157,958,000
	\$5,837,266,000	\$4,866,981,000

Auditors' Report

Clarkson, Gordon & Co.
Chartered Accountants

**To the Shareholders of
Royal Trustco Limited:**

We have examined the consolidated balance sheet of Royal Trustco Limited as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada,
January 25, 1979.

Royal Trustco Limited

Consolidated Statement
of Income

for the year ended December 31

1978

1977

Income*Fees and commissions from*

Estates, trusts and agencies	\$ 19,763,000	\$ 16,971,000
Real estate sales and property management	107,009,000	97,827,000
Stock transfer agencies and bond trusteeships	6,972,000	5,556,000
Pension trusts and institutional accounts	9,534,000	7,496,000
Mortgage administration	9,167,000	8,252,000
Managed investment funds	9,127,000	7,241,000
Computer services	16,799,000	14,787,000
Miscellaneous	3,510,000	2,977,000
Total fees and commissions	\$181,881,000	\$161,107,000

Investment income from

Mortgages	\$381,204,000	\$311,806,000
Securities and equipment leases	44,399,000	43,737,000
Collateral loans	20,540,000	16,335,000
Short term deposits	74,175,000	62,497,000
Total investment income	\$520,318,000	\$434,375,000
Total income	\$702,199,000	\$595,482,000

Expenses

Interest paid	\$420,326,000	\$355,501,000
Salaries	71,876,000	61,779,000
Pension and other staff benefits	13,233,000	10,827,000
Commissions to real estate brokers and salesmen	71,257,000	65,402,000
Premises (net after rental income)	19,583,000	17,055,000
Computer and office equipment	15,951,000	13,984,000
Communications	7,316,000	6,324,000
Stationery	5,066,000	4,440,000
Advertising	9,592,000	8,155,000
Amortization of goodwill	1,388,000	1,283,000
Other	18,262,000	16,566,000
Total expenses	\$653,850,000	\$561,316,000
Income before income taxes	\$ 48,349,000	\$ 34,166,000
Income taxes – current	\$ 4,205,000	1,231,000
– deferred	17,526,000	13,992,000
Net income before interest of minority shareholders	\$ 26,618,000	\$ 18,943,000
Minority interest	279,000	429,000

Net Operating Income

\$ 26,339,000 \$ 18,514,000

(per share 1978 – \$1.65, 1977 – \$1.16)*

Other additions (deductions)

Net gains (losses) on investments including provision for losses	(2,941,000)	(510,000)
Foreign exchange adjustments	3,808,000	3,239,000
Net gains on disposal of premises	1,103,000	42,000
Income taxes applicable to above items recoverable (payable)	533,000	(155,000)

Net Income Before Extraordinary Item

\$ 28,842,000 \$ 21,130,000

(per share 1978 – \$1.81, 1977 – \$1.33)*

Provision for moving and relocation costs associated with corporate reorganization, after income taxes of \$3,024,000		3,276,000
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Net Income

\$ 28,842,000 \$ 17,854,000

(per share 1978 – \$1.81, 1977 – \$1.12)*

*Earnings per share are based upon weighted monthly average shares outstanding adjusted for both 1978 and 1977 to reflect the additional shares outstanding resulting from the events described in Note 8. Averages are 15,937,000 for 1978 and 15,911,000 for 1977.

**Consolidated Statement
of Retained Earnings**

for the year ended December 31	1978	1977
Balance January 1	\$ 68,241,000	\$ 61,842,000
Net income for the year	28,842,000	17,854,000
	\$ 97,083,000	\$ 79,696,000
Deduct: Dividends paid	13,151,000	11,455,000
Expenses of share exchange after income taxes of \$683,000	1,200,000	
Balance December 31	\$ 82,732,000	\$ 68,241,000

**Consolidated Statement
of Changes in Financial
Position**

for the year ended December 31	1978	1977
Financial Resources Derived From		
Increase in deposits and borrowings	\$936,279,000	\$547,553,000
Operations		
Net income	28,842,000	17,854,000
Depreciation, deferred taxes and other non-cash items charged against net income	25,369,000	24,781,000
Shares subscribed under employees' stock option plan	743,000	163,000
	\$991,233,000	\$590,351,000
Financial Resources Applied To		
<i>Increase (Decrease) in Investments</i>		
Cash, bank deposit receipts and treasury bills	\$ 82,942,000	\$ 46,630,000
Secured loans, and advances to clients	71,110,000	(94,158,000)
Securities	156,940,000	(13,705,000)
Receivables under equipment leases	(162,000)	3,395,000
Mortgages	642,437,000	618,135,000
	\$953,267,000	\$560,297,000
Dividends paid	13,151,000	11,455,000
Expenses of share exchange	1,200,000	
Additions to properties	9,205,000	6,621,000
Purchase of minority interest in subsidiary		2,549,000
Net assets acquired on acquisition of subsidiary (Note 3)	2,546,000	5,945,000
Other – net	11,864,000	3,484,000
	\$991,233,000	\$590,351,000

Notes to the Consolidated Financial Statements

1. Corporate Organization

Royal Trustco Limited, incorporated under the Canada Business Corporations Act, is the parent of the Royal Trust group of companies, the principal members of which are Royal Trust Corporation of Canada, The Royal Trust Company, The Royal Trust Company of Canada (a U.K. corporation), The Royal Trust Company of Canada (C.I.) Ltd. (in Jersey, the Channel Islands), The Royal Trust Company (Ireland) Limited, The Royal Trust Company (Isle of Man), Royal Trust Bank Corp. (in Florida), The Royal Trust Company Mortgage Corporation, Computel Systems Ltd., The Bankers' Trust Company, Royal Agencies Ltd., Builders Financial Co. Limited, Place d'Armes Realty Co. Ltd., Doreal Investments Ltd. and The Royal Trust Company (International) Ltd.

Royal Trustco commenced operations in January 1976 as a holding company to provide overall financial control, planning and direction to the Royal Trust group of companies. Subsequently, the subsidiaries of The Royal Trust Company were transferred to Royal Trustco. In 1978, the shares of Royal Trustco held by The Royal Trust Company were distributed to its shareholders and concurrently an exchange of shares resulted in The Royal Trust Company becoming a subsidiary of Royal Trustco. These events established Royal Trustco as the parent of the Royal Trust group of companies and did not result in any change in the consolidated assets, liabilities and net equity of the group.

The financial statements as presented recognize a continuity of interest of shareholders of The Royal Trust Company, before the share exchange, with the shareholders of Royal Trustco after the share exchange. Accordingly, the reported consolidated income for Royal Trustco includes the income of the Royal Trust group of companies for the entire year and the prior year's figures are those of the consolidated operations of The Royal Trust Company, the predecessor parent.

2. Accounting Policies

(i) Principles of consolidation

All subsidiary companies are included in the consolidated financial statements with the exception of BM-RT Ltd. which is 50.1% owned by the Company and is referred to below under investment in affiliates.

(ii) Excess of cost of investment in subsidiaries over acquired equity in net assets

The excess of cost of investment in subsidiaries over the acquired equity in their net assets is being amortized, at present over 20 years.

(iii) Investment in affiliates

Investment in affiliates includes BM-RT Ltd. which is 50.1% owned by the Company. BM-RT Ltd. is adviser to the publicly held BM-RT Realty Investments, a real estate trust. BM-RT Ltd. serves as the official conduit for funding the operations of the trust and as such its assets consist almost entirely of funds advanced to the trust from proceeds of the public issue of short term notes and debentures by BM-RT Ltd. The Company either directly or through its investment in BM-RT Ltd. is the owner of only 7.08% of the trust and the consolidation of the assets, liabilities and operations of the adviser with those of the Company would not be appropriate. The Company's share of earnings of BM-RT Ltd. has been included in fees from managed investment funds in the Consolidated Statement of Income.

Investments in other affiliates are recorded at cost and income is reflected in the Consolidated Statement of Income when realized through dividends paid by these affiliates.

(iv) Foreign currencies

All amounts in foreign currency have been translated into Canadian dollars at the rates of exchange prevailing at the end of the year. Adjustments arising on translation of currencies are included in the Consolidated Statement of Income.

(v) Depreciation policies

Premises, equipment and leasehold improvements are depreciated over their estimated useful lives, as follows:

On the straight-line method:

Premises of a real estate subsidiary (carrying value of \$23,432,000) – over 75 years
Leasehold improvements – over 5 years

On the declining balance method:

Equipment and other assets – at approximately 20% per year

Gains or losses on disposal of fixed assets are recognized in earnings. Depreciation of premises and equipment and amortization of leasehold improvements charged to operations amounted to \$5,997,000 in 1978 and \$6,173,000 in 1977.

(vi) *Recognition of income and expenses*

With the exception of fees for administration of estates, fees and commissions are recorded as earned. Estate administration fees are chargeable only upon the completion of preliminary administration and no provision is made in the Company's accounts for fees on work in progress. Debt discount and underwriting commissions are amortized over the term of the issues.

(vii) *Leasing transactions*

The Company's leasing operations consist principally of the leasing of aircraft, railway rolling stock and ships. The leases expire over a period of 12 to 16 years.

The equipment leasing transactions are recorded as loans receivable and rental payments are treated as blended payments of principal and interest to amortize such loans over the period of the lease.

Any gains resulting from the residual values of leased assets are reflected in earnings only when realized.

(viii) *Gains and losses on investments*

Loans and mortgages are considered as delinquent when payments of principal or interest are in arrears for 60 days at which time legal collection procedures usually are commenced. Delinquencies are reviewed monthly and, if required, an appropriate provision is recorded in the Company's accounts for estimated losses.

Gains and losses on securities, based on average cost, are recorded only upon sale of such securities except when there is a default to pay either principal or interest, or when there is what is considered to be a permanent decline in value, at which time a provision to cover estimated losses is recorded.

(ix) *Income taxes*

The Company follows the tax allocation method of accounting for income taxes. Under this method income taxes are calculated on the basis of reported income rather than on income currently taxable. The principal timing differences relate to the reserve for mortgages allowed under the federal and provincial

Income Tax Acts, to equipment leases and to the losses of subsidiaries to be applied in future years.

No provision is made for withholding taxes or Canadian taxes which would be exigible on dividends from foreign subsidiaries, if it is intended that the earnings of the subsidiaries will be retained by them.

3. Subsidiaries

(i) On May 31, 1978, the Company acquired 94% of the common shares of American Bank of Orange County (subsequently its name was changed to Royal Trust Bank of Orlando) operating in the State of Florida. The total consideration was \$2,546,000 in cash. The results of operations of this subsidiary have been included in the Consolidated Statement of Income from its date of acquisition.

This transaction was recorded as follows:

Total assets	\$15,923,000
Total liabilities	14,447,000
Net assets at fair value	\$ 1,476,000
Minority interest	(169,000)
Excess of cost of investment over acquired equity in net assets	1,239,000
Total consideration	\$ 2,546,000

(ii) On September 15, 1978, the Company sold its 79% interest in Douglas Leaseholds Limited for \$3,323,000, for a recorded loss of \$432,000.

4. Assets held under Administration and Guaranteed Account – Trust Funds for Investment

Trust accounts and guaranteed funds are kept separate from the Company's funds and are so earmarked in the books of the Company as to show the accounts to which they belong.

As at December 31, deposits and borrowings include \$4,886,954,000 for 1978 and \$4,119,305,000 for 1977 accepted for Guaranteed Account. Assets segregated to secure these deposits are as follows:

	1978	1977
Cash, bank deposit receipts and treasury bills	\$ 632,422,000	\$ 557,965,000
Secured loans	112,670,000	70,910,000
Securities	367,675,000	315,245,000
Equipment leases	136,748,000	139,593,000
Mortgages	3,637,439,000	3,035,592,000
	<u>\$4,886,954,000</u>	<u>\$4,119,305,000</u>

5. Receivables under Equipment Leases

The Company has assumed the debt obligations of other parties involved in equipment lease financing. These obligations, amounting to \$88,336,000 as at December 31, 1978 (\$91,019,000 in 1977), are included in both Borrowings and Investments in the Consolidated Balance Sheet.

6. Mortgages Payable

The principal mortgage of \$17,567,000 bears interest at the rate of 6 $\frac{3}{4}$ % and matures April, 1994. Total principal instalments due in 1979 amount to \$269,000.

7. Commitments and Contingencies

(i) Outstanding commitments as at December 31, 1978 for future advances to be secured by mortgages and for advances to be made on equipment leases are \$366,892,000 of which \$28,032,000 are for trust clients whose accounts are administered by the Company.

(ii) The Company has contractual obligations in respect of leases payable as follows:

	Total sums payable
Within 5 years	\$ 68,231,000
6 to 10 years	37,408,000
11 to 15 years	14,922,000
16 to 20 years	8,643,000
21 to 25 years	5,724,000
	<u>\$134,928,000</u>

\$9,743,000 of this amount relates to a partially owned subsidiary. Rents in 1978 were \$12,332,000.

(iii) A subsidiary is Trustee and Manager of Royal Trust M Fund, the purpose of which is the investment of the fund's assets in first mortgages on properties in Canada. It is anticipated that there will be ample cash and marketable securities available to cover the withdrawal by participants in the fund from time to time.

However, should the withdrawals exceed the cash and marketable securities then available, the subsidiary has guaranteed to find a purchaser for such number of the mortgages held by the fund at a price not less than 95% of the value thereof as will realize sufficient funds to enable such withdrawals to be made.

As at December 31, 1978 total assets of Royal Trust M Fund aggregated \$675,214,000 including \$75,201,000 in bank deposits and interest receivable and \$600,013,000 in mortgages.

(iv) On December 19, 1978 the Company declared a dividend on common shares of \$0.23 to be paid on February 9, 1979 to shareholders of record January 23, 1979.

(v) On July 2, 1976 an action was instituted in the Supreme Court of Ontario against a subsidiary claiming damages in the amount of \$15,000,000 for breach of an alleged contract. The subsidiary denies any liability and is defending this action.

8. Capital Stock

(i) The Company has an authorized capital of an unlimited number of no par value common shares of which 15,977,500 shares were issued as of December 31, 1978, in accordance with the reorganization described below and 1,000,000 \$8 cumulative, redeemable, voting preferred shares of which 710,429 shares were issued in 1978 for consideration of \$71,043,000. The preferred shares were issued to The Royal Trust Company which subsequently became a subsidiary of the Company and accordingly the shares are not shown on consolidation.

(ii) At December 31, 1977 there were 11,939,808 shares of the predecessor parent, The Royal Trust Company, outstanding (11,057,236 A shares and 882,572 B shares). During 1978 45,717 additional shares were issued for \$743,000 under an employees' stock option plan resulting in a total of 11,985,525 outstanding shares. The issued capital of the Company was also 11,985,525 shares all of which were held by The Royal Trust Company until December 1, 1978, when The Royal Trust Company distributed these shares to its shareholders as a dividend.

Under a subsequent share exchange on the basis of one share of the Company for every three shares of The Royal Trust Company, 3,991,975 shares of the Company were issued resulting in the total of 15,977,500 shares shown as outstanding as of December 31, 1978. The combined effect of these two events is that for every 3 outstanding shares of the predecessor parent there are now 4 outstanding shares of the Company. An amount of \$48,000 (equivalent to 3,200 shares of the Company) was paid in cash to shareholders on the exchange in lieu of issuing fractional shares.

The 3,991,975 shares treated as issued under the share exchange include 92,598 shares reserved for shareholders of The Royal Trust Company whose shares were not offered for exchange up to December 31, 1978. The share exchange offer has been extended to January 30, 1979 after which the Company intends to pursue its rights under Section 145 of the Companies Act (Quebec) to acquire the remaining shares of The Royal Trust Company. These financial statements are presented on the basis of the completed share exchange and accordingly the 92,598 reserved shares are shown as outstanding and the interest of minority shareholders in The Royal Trust Company is not reflected separately as of December 31, 1978.

Shares of the predecessor parent were designated as A shares and B shares which were interchangeable. The then existing tax legislation permitted dividends on B shares to be tax deferred whereas dividends paid on A shares were taxable. The tax deferral feature was removed from legislation effective from 1979 and consequently the shares of the Company have not been designated as A shares and B shares.

9. Pension Plan

The most recent actuarial valuation of the Company's pension plan was made by independent actuaries as at December 31, 1977 and indicated no unfunded liability.

10. Directors and Senior Officers

For the year ended December 31, 1978 the aggregate direct remuneration paid or payable by the Company to Directors and Senior Officers was \$1,080,000 and the estimated aggregate cost for the year of all pension benefits proposed to be paid to Senior Officers on retirement at normal retirement age was \$69,000.

At December 31, 1978, temporary housing advances to Senior Officers totalled \$396,950.

Ten-Year Review
(Dollars in thousands)

Year-End Position	1969	1970
Assets		
Cash, bank deposit receipts and treasury bills	\$ 126,998	\$ 236,896
Secured loans, and advances to clients	97,291	91,470
Securities	423,672	478,236
Receivables under equipment leases	—	—
Mortgages	682,419	838,655
Premises, equipment and leasehold improvements	35,492	34,633
Other assets	12,687	7,688
	<u>\$1,378,559</u>	<u>\$1,687,578</u>
Deposits and Borrowings		
Deposit certificates	\$1,013,164	\$1,285,919
Savings and chequing accounts	91,904	104,439
Short term notes and debentures	168,649	185,809
	<u>\$1,273,717</u>	<u>\$1,576,167</u>
Other Liabilities, Deferred Income Taxes and Minority Interest		
Other liabilities	\$ 32,312	\$ 28,455
Deferred income taxes	5,578	7,506
Minority interest	5,043	5,006
	<u>\$ 42,933</u>	<u>\$ 40,967</u>
Shareholders' Equity	<u>\$ 61,909</u>	<u>\$ 70,444</u>
Total Assets Under Administration (in billions)		
Estimated market value	\$10.0	\$10.7
Results for year	1969	1970
Income		
<i>Fees and commissions from</i>		
Estates, trusts and agencies	\$ 10,072	\$ 10,914
Real estate sales and property management	5,796	7,256
Stock transfer agencies and bond trusteeships	3,319	3,280
Pension trusts and institutional accounts	2,666	2,938
Mortgage administration	2,206	2,287
Managed investment funds	611	1,109
Computer services	—	—
Miscellaneous	843	857
Total fees and commissions	<u>\$ 25,513</u>	<u>\$ 28,641</u>
<i>Investment income from</i>		
Mortgages	\$ 47,557	\$ 65,508
Securities and equipment leases	33,949	37,428
Collateral loans	6,735	7,007
Short term deposits	10,081	15,003
Total investment income	<u>\$ 98,322</u>	<u>\$ 124,946</u>
Total income	<u>\$ 123,835</u>	<u>\$ 153,587</u>
Expenses		
Interest paid	\$ 79,476	\$ 104,269
Salaries, commissions and staff benefits	20,338	23,475
Net premises	3,163	3,814
Other	7,650	8,086
Total	<u>\$ 110,627</u>	<u>\$ 139,644</u>
Income Before Income Taxes	<u>\$ 13,208</u>	<u>\$ 13,943</u>
Less		
Interest of minority shareholders in net income of subsidiary companies	\$ 275	\$ 279
Income taxes	6,588	6,867
	<u>\$ 6,863</u>	<u>\$ 7,146</u>
Net Operating Income	<u>\$ 6,345</u>	<u>\$ 6,797</u>
Net gains (losses) on investments	(143)	402
Foreign exchange adjustment	(36)	(24)
Gain (loss) on disposal of premises	888	—
Income tax applicable to above items	(133)	(144)
Net Income		
(Before extraordinary item in 1977)	<u>\$ 6,921</u>	<u>\$ 7,031</u>

1971	1972	1973	1974	1975	1976	1977	1978
\$ 282,158	\$ 343,272	\$ 493,779	\$ 427,214	\$ 555,294	\$ 628,536	\$ 680,600	\$ 767,405
104,963	127,361	182,272	157,379	143,818	233,163	145,830	224,277
525,688	464,914	380,556	449,093	360,220	403,922	408,663	569,108
—	—	—	13,154	80,820	138,381	139,593	136,748
960,697	1,174,517	1,553,652	2,019,235	2,239,117	2,761,133	3,379,885	4,022,322
30,353	29,965	31,233	35,883	37,841	47,739	49,043	53,231
8,248	11,161	17,467	18,084	18,599	56,394	63,367	64,175
\$1,912,107	\$2,151,190	\$2,658,959	\$3,120,042	\$3,435,709	\$4,269,268	\$4,866,981	\$5,837,266
\$1,492,554	\$1,604,179	\$2,046,374	\$2,475,745	\$2,636,826	\$3,116,027	\$3,526,374	\$4,257,400
129,123	194,902	211,041	215,577	309,010	513,014	703,063	862,445
172,446	221,825	244,379	269,101	305,156	405,457	380,052	437,300
\$1,794,123	\$2,020,906	\$2,501,794	\$2,960,423	\$3,250,992	\$4,034,498	\$4,609,489	\$5,557,145
\$ 27,911	\$ 26,954	\$ 34,367	\$ 21,823	\$ 38,878	\$ 35,597	\$ 44,305	\$ 45,220
8,279	9,547	17,038	26,996	25,081	37,295	48,453	56,042
5,552	5,632	7,935	8,312	8,851	10,482	6,776	5,595
\$ 41,742	\$ 42,133	\$ 59,340	\$ 57,131	\$ 72,810	\$ 83,374	\$ 99,534	\$ 106,857
\$ 76,242	\$ 88,151	\$ 97,825	\$ 102,488	\$ 111,907	\$ 151,396	\$ 157,958	\$ 173,264
\$11.2	\$12.6	\$14.0	\$13.6	\$15.1	\$16.8	\$19.2	\$22.7
1971	1972	1973	1974	1975	1976	1977	1978
\$ 10,814	\$ 11,079	\$ 13,241	\$ 13,690	\$ 13,979	\$ 15,685	\$ 16,971	\$ 19,763
12,173	17,978	30,414	43,026	55,501	76,871	97,827	107,009
3,514	4,115	4,044	4,237	4,645	5,325	5,556	6,972
3,216	3,827	4,380	5,522	6,064	6,809	7,496	9,534
2,742	3,474	4,050	4,275	5,263	6,134	8,252	9,167
1,890	3,003	4,186	4,440	5,349	6,156	7,241	9,127
—	—	—	—	12,672	15,314	14,787	16,799
947	1,344	764	1,965	1,316	1,901	2,977	3,510
\$ 35,296	\$ 44,820	\$ 61,079	\$ 77,155	\$ 104,789	\$ 134,195	\$ 161,107	\$ 181,881
\$ 82,122	\$ 96,004	\$ 126,127	\$ 173,653	\$ 204,112	\$ 248,866	\$ 311,806	\$ 381,204
32,301	31,368	23,839	30,124	38,895	38,837	43,737	44,399
5,731	6,858	10,485	12,479	11,714	15,575	16,335	20,540
22,398	25,307	39,997	74,999	52,419	66,546	62,497	74,175
\$ 142,552	\$ 159,537	\$ 200,448	\$ 291,255	\$ 307,140	\$ 369,824	\$ 434,375	\$ 520,318
\$ 177,848	\$ 204,357	\$ 261,527	\$ 368,410	\$ 411,929	\$ 504,019	\$ 595,482	\$ 702,199
\$ 113,106	\$ 127,146	\$ 161,130	\$ 248,146	\$ 254,635	\$ 308,755	\$ 355,501	\$ 420,326
29,243	35,573	49,260	63,576	82,157	108,878	138,008	156,366
4,203	4,879	5,655	6,665	8,241	11,401	17,055	19,583
10,621	13,096	17,113	23,196	31,322	39,980	50,752	57,575
\$ 157,173	\$ 180,694	\$ 233,158	\$ 341,583	\$ 376,355	\$ 469,014	\$ 561,316	\$ 653,850
\$ 20,675	\$ 23,663	\$ 28,369	\$ 26,827	\$ 35,574	\$ 35,005	\$ 34,166	\$ 48,349
\$ 283	\$ 386	\$ 654	\$ 670	\$ 606	\$ 677	\$ 429	\$ 279
10,323	10,800	13,469	12,220	16,023	14,718	15,223	21,731
\$ 10,606	\$ 11,186	\$ 14,123	\$ 12,890	\$ 16,629	\$ 15,395	\$ 15,652	\$ 22,010
\$ 10,069	\$ 12,477	\$ 14,246	\$ 13,937	\$ 18,945	\$ 19,610	\$ 18,514	\$ 26,339
(59)	563	100	(1,192)	(1,270)	(110)	(510)	(2,941)
111	(169)	(181)	(19)	(877)	(1,135)	3,239	3,808
(216)	909	—	76	205	189	42	1,103
160	(478)	12	638	702	574	(155)	533
\$ 10,065	\$ 13,302	\$ 14,177	\$ 13,440	\$ 17,705	\$ 19,128	\$ 21,130	\$ 28,842

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Chief Executive Officer**

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and Chief Operating Officer**

John M. Scholes

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*Public Relations*Jacques Dionne
*Quebec Region*André Forest
*Mortgages*John C. Macfarlane
*Treasurer*C. Terrill Manning
*Secretary*Richard A. Pallot
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*Real Estate*Ian D. Sneddon
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*Pension Trust Services*Gordon W.P. Camble
*Marketing, European Region*James A. Gordon
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*Corporate Trust Services***General Counsel**

Keith M. Laidley

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The Royal Trust Company A.G. Zürich, Switzerland Dr. Jean-Marc Vuille

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 RAdm James C. Hibbard
 Harold Husband
 Ralph D. Perry
 Hector C. Stone



Royal Trust on the Map

	Offices*	
	Money service	Real estate
Canada		
Newfoundland	2	2
Nova Scotia	2	4
Prince Edward Island	1	1
New Brunswick	4	3
Quebec	23	46
Ontario	58	63
Manitoba	2	5
Saskatchewan	2	2
Alberta	8	18
British Columbia	5	13

*30 Locations are combined real estate and money service.

Florida

Banks and branches:

Miami	4
Pembroke Pines	1
Ft. Lauderdale	1
Palm Beach	1
Boca Raton	1
Tampa	3
Gulfport	2
St. Petersburg Beach	1
Jacksonville	1
Orlando	2

Subsidiary and associated companies in:
Bahamas, Cayman Islands and Bermuda

Europe

Subsidiary trust companies in:

England
 Channel Islands
 Ireland
 Isle of Man
 Switzerland
 Liechtenstein

Services**For the individual**

Agent for the investment of money and collection of dividends, interest, rent, and the principal of mortgages, bonds and stocks

Agent or attorney for executors

Agent for the management of estates

Certificates of Deposits (Guaranteed Investment Certificates) with terms up to 5 years and the option of interest payments, monthly, semi-annually, annually or compounded over 5 years

Committee or curator to property

Estate planning

Executor and Trustee under wills, including Administrator or Agent for the heirs in estates where there is no will

Expatriate services

Income-Averaging Annuity contracts

Income tax services

Investment management

Managed investment funds (A, B, C and M)

Management and custodianship of securities

Mortgage insurance

Mortgage life insurance

Mortgage loans

Professional Athletes Financial Services

Personal Loans

Real Estate broker; sales, leasing, property management, appraisals, employee relocation services

Registered Home Ownership Savings Plans

Registered Retirement Savings Plans, including:

Guaranteed savings account retirement savings plan;

B Fund Retirement Savings Plan

C Fund Retirement Savings Plan

M Fund Retirement Savings Plan

Guaranteed Retirement Savings Plan

Fixed Term Annuities

Registered Retirement Income Funds

Self Directed Retirement Savings Plan

Royal Trust 60 – for clients of sixty years and over

Savings and chequing accounts

Standing-by attorney

Trustee under deeds of trust

For corporations, firms and other organizations

Agent for real estate, mortgages and lease back agreements

Computer processing and programming services

Custodian and trustee for non-resident insurance companies

Deferred Profit Sharing Plans

Depository and escrow agent

Depository for medium and short term money against Guaranteed Investment Certificates

Financial Agent for overseas employees

General financial agent and all related services

Group Retirement Savings Plan

Interim and long term mortgage financing

Management of endowment funds, collection of pledges, etc., for charitable, religious, educational and similar bodies

Management and custodianship of securities

Paying agent for dividends and bond interest

Property management

Subscription and rights agent

Transfer agent and registrar for shares

Trustee for bondholders and registrar for bonds

Trustee for buy-sell agreements under business insurance trusts

Trustee and custodian for pension and other employee benefit plans

The cover photograph is of Whitehall in London,
looking south toward Parliament Square.

